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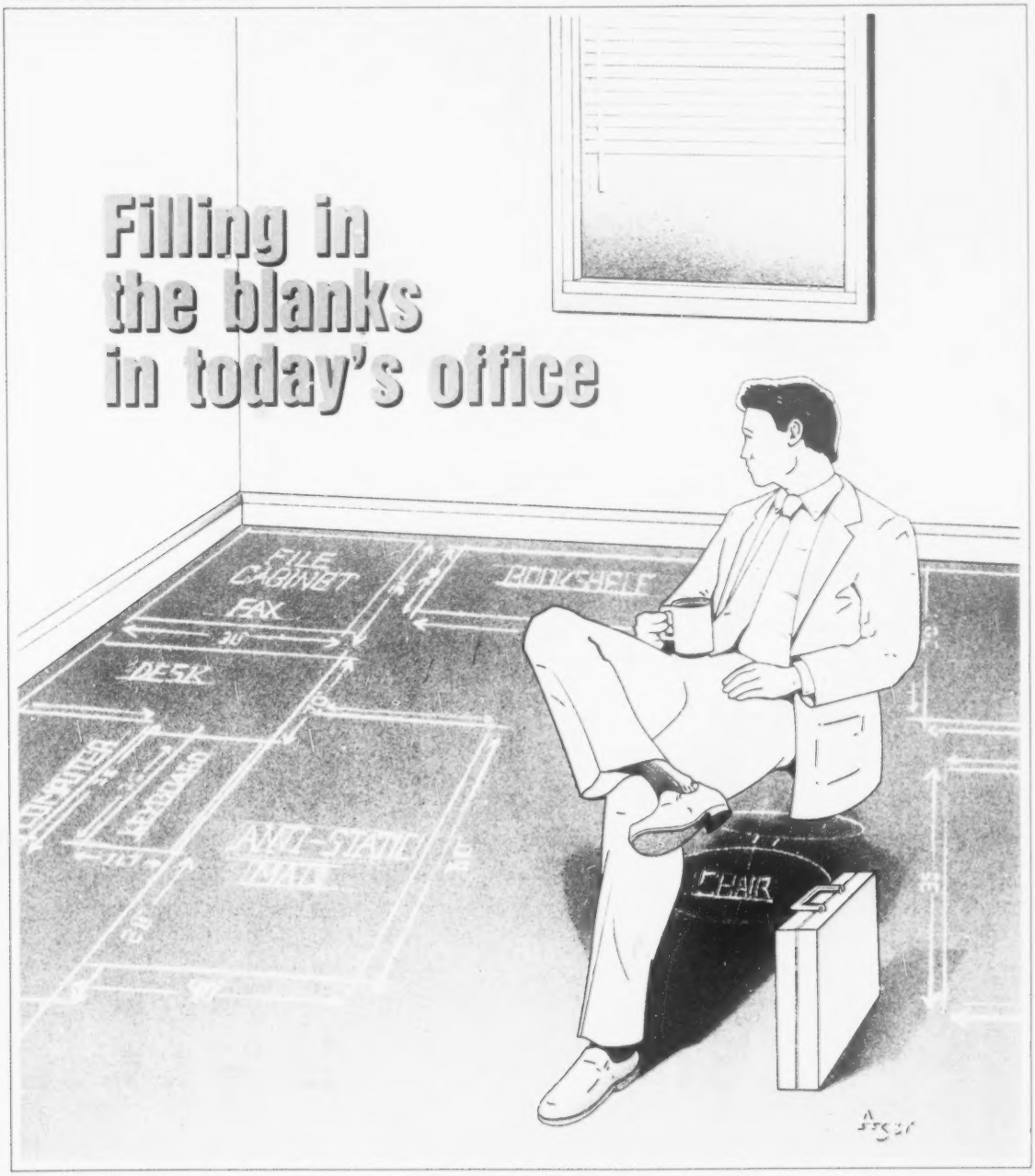
PurchasingWorld®

THE BUYER'S MAGAZINE APRIL 1989

Filling in the blanks in today's office



EDI: Real progress? • Meet the NAPM president

PW's Crystal Ball contest: The winners

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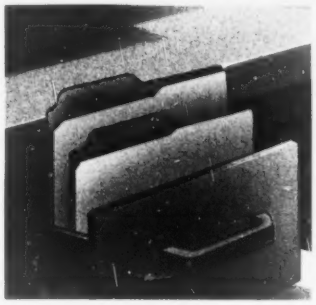

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Jorgensen makes a big move into the South

One of the nation's most diversified metal service center organizations has recently made a strong move into the Southern market by establishing a fully staffed sales and service facility in Charlotte, NC to serve the Carolinas and Tennessee.

"It is time that we increased our penetration into both the Carolinas and Tennessee," said John W. Jorgensen, the company president. "We have fully stocked service centers in 23 major markets throughout the nation; the rapidly growing industrial community here in the Southeast represents to us a very natural expansion opportunity—we're here to stay." Reach the new facility by calling (800) 365-5454, or FAX 704-523-3346.

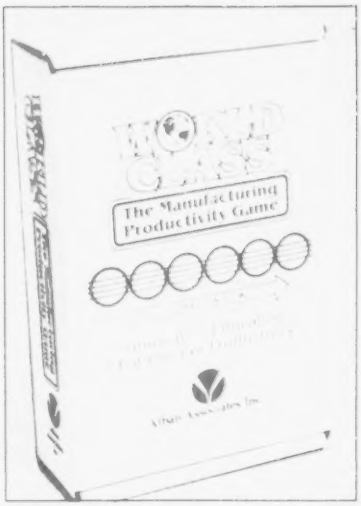
Load-matching network system for shippers

"Truck-Load" is a computerized service, endorsed by the American Trucking Association, which instantly matches shippers and motor carriers nationwide. The Forsyte Companies, Inc., offers a brochure that describes this matching network system which collects and organizes essential information on loads available from shippers nationwide and makes it instantly available to qualified motor carrier members through a computerized data base. **Circle 78**

International EDI directory goes to press

Soon to be published is the first international EDI directory which includes more than 5,000 listings, representing more than 90% of active EDI users.

The directory, "Who's Who and What's What in Electronic Data Interchange," combines the data bases of Euromatica, S.A., Belgium, and EDI, spread the word!, Dallas. The new book will offer listings of Canadian, European and American EDI users. **Circle 261**



Manufacturing game simulates real-life

An educational game, titled World Class, simulates actual manufacturing conditions and options, and recreates shop-floor operations with participants experiencing improved productivity as they play. The simulations demonstrate the benefits of such philosophies as continuous improvement, just-in-time, total quality control.

Also covered in the game are bottleneck control, work-in-process reduction, material pull-signals, synchronized scheduling, and utilization of capacity. *Alban Associates.* **Circle 104**

Written forms enter data directly into computer without data entry function

Scriptwriter, a clipboard-sized writing surface captures handwritten data as it is written on a standard paper form, and stores it directly in its own computer memory in ASCII code. Corrections can be made by simply writing over the error.

At day's end, Scriptwriter is plugged into the host computer, data is transferred directly, batteries are charged and the unit is ready for the next day's entries. *Data Entry Systems, Inc.* **Circle 106**

PurchasingWorld

6521 Davis Industrial Parkway
Solon, OH 44139
Phone: 216-248-1125

Editorial Director
Paul V. Farrell, C.P.M.

Editor-in-Chief
Robert S. Reichard

Editorial Staff
Managing Editor
Ron Stevens
Senior Editor
Thomas F. Dillon, C.P.M.
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Production Director
Georgenne Retych
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by Robert S. Reichard, editor-in-chief

Inflationary pressure talk persists

Talk of rising inflationary pressures persists as the economy continues into its seventh straight year of advance.

Behind some of the fears: A somewhat higher wage rate increase pattern. Other pressures generally cited include 1) capacity restraints in some industries, 2) increases in the prices of many imported goods (a result of the dollar's fall over the past few years), and 3) increases in the prices of domestic goods that compete with imports.

But some of these worries may be overdone. Take pay increases—sure, they're bigger than last year, but not really that much. The latest available figures in the bellwether manufacturing sector show factory unit labor costs running less than 1.5% above a year earlier—hardly a portent of runaway inflation.

Moreover, there are a few signs that this labor picture is about to change significantly. Clearly today's increasingly competitive environment is putting pressure on corporations to hold costs down. And as for workers hurt by mergers, acquisitions and restructurings, they seem to still be concentrating on job security rather than dollar-and-cents pay boosts.

Another factor that should allay inflation anxieties is the increasing likelihood of decelerating GNP and industrial production advances. Factory output is projected to increase at only a 2-2.5% annual rate after midyear—a far cry from the 7% rate reported as recently as the third quarter of last year.

Point to keep in mind: Demand gains will be decelerating at the same time that capacity increases will be accelerating. Result: Things won't be nearly as tight as they were last year, on an overall basis. Put another way, demand/pull market pressures will be easing.

Even the increase in import prices alluded to above may be running out of steam as the dollar finally begins to stabilize. The big 7% advance in import tags (excluding fuel) of last year will not be repeated. And this is bound to have a restraining effect on domestically produced goods.

The food cost runup engendered by last year's drought is also beginning to slow. True, some impact is still filtering down to the supermarket level. But the 7% cost-of-living rate of increase in one recent month has to be regarded as an aberration, not unlikely to be repeated soon.

Worth noting in this respect: The prestigious National Association of Business Economists is now talking in terms of a 4.7% increase in the consumer price index this year—a bit under the 5% projection made last November.

Continued on next page...

No sharp inflation rise

Analysts at DRI aren't buying all that talk about a sharp stepup in inflation. There will be some acceleration—but it will be only one percentage point this year in the industrial sphere (to 4.6%)—with next year's pace expected to quicken by about another half a point.

But individual product lines (detailed in the chart below) could vary significantly. A few examples:

- **Steel:** There's little possibility for any major increases in either shipments or prices.
- **Nonferrous metals:** Recent copper peaks will give way to declines but they won't be enough to drop 1989 averages under 1988 levels.
- **Industrial chemicals:** Slow price deceleration this year (9.9% price increase *versus* 11.9% in 1988) will become more pronounced in 1990 when tags will rise by only 4.4%.
- **Machinery and equipment:** Slow acceleration is the order of the day here—with tags rising 4.1%

Price changes through 1990

(% change from previous year)

Product line	1988	1989	1990
Raw materials, energy			
Crude items (nonfuel, nonfood)	– 4.1	– 1.1	2.8
Supplies for manufacturing	4.4	4.9	4.5
Electric power	0.9	3.4	2.4
Lube oils	6.5	4.1	4.3
Industrial chemicals	11.9	9.9	4.4
Metals			
Steel mill products	8.1	4.4	3.5
Structural steel shapes	13.5	1.6	4.2
Galvanized sheet	5.7	3.7	3.7
Aluminum ingot	32.2	7.1	1.9
Copper cathode	46.7	19.4	– 6.6
Zinc die cast alloy	40.5	18.1	0.9
Titanium mill products	11.4	8.5	1.6
Aluminum extrusions	22.3	5.7	3.0
Components			
Durable components	2.7	3.0	4.4
Valves & fittings	5.3	4.6	2.3
Fasteners	3.3	4.8	3.8
Electronic components	2.0	3.7	3.9
Industrial controls	2.5	2.2	2.4
Motor vehicle parts	1.5	5.5	5.9
Construction			
Construction materials	5.7	5.1	3.7
Paint	3.7	6.1	4.6
Plumbing fixtures	7.5	9.2	2.0
Flat glass	2.2	2.7	3.5
Insulation materials	1.0	4.4	4.3
Machinery			
Transformers & power regulators	1.4	3.5	0.6
Metal cutting machine tools	4.1	5.1	6.0
Material handling equipment	3.1	3.9	4.2
Mining machinery	3.5	5.9	4.2
Railroad equipment	2.6	5.4	5.7

Source: DRI/McGraw-Hill Cost Information Service

Nor does all the above exhaust the list of factors pointing toward moderation in the quarters immediately ahead. There's the Fed pushing for higher interest rates (and hence a braking of overall demand). More important, the big runup in raw materials is about over. Some metals have actually been edging lower over the past month or so.

Then there's oil. OPEC has as its avowed aim the reaching of an $18/barrel crude quote. But given continued cheating, this seems unattainable, with a $15/barrel price by year end looking a lot more realistic.

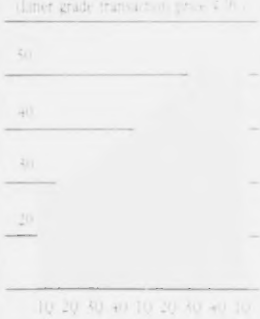
Upshot: Oil tags won't go much higher than they are now. This removes any threat of escalating petrochemical and refined oil prices—areas which, in the past have tended to fuel inflationary fears.

Perhaps the most encouraging signs of all are the continuing moderate price forecasts being made by the major econometric models. DRI sees industrial price averages up about 5% over the next 12 months; Wharton is even more optimistic, putting the increase over the next four quarters around 3%.

Take an average of these two projections—and you end up with about a 4% not all that different from last year. These forecasters are equally optimistic about 1990, too—with similar rates of increase seen for that more distant time period.

Low density polyethylene

(liner grade transaction price ¢/lb.)



LDPE demand disappoints

Somewhat disappointing demand—especially in farm and construction films—is putting downward pressure on prices. It's making for the first declines in more than two years—with the key liner grade off 1-2¢/lb. from late 1988 levels (to 49-51¢/lb). High inventories are also a problem for producers. All this suggests that prices won't rise soon—especially if ethylene holds at its current 34¢/lb. level. The fact that demand (expected to rise 3% this year) will lag behind capacity additions (6%) also indicates that prices are about as high as they're going to go.

Connectors go both ways

Prices look to be a two-way street over the next few years. So say producers, responding to a new survey by Technology Forecasters (a Berkeley, CA-based research outfit). Asked to estimate their prices through

Continued on page 10...

Energy prices to rise slowly

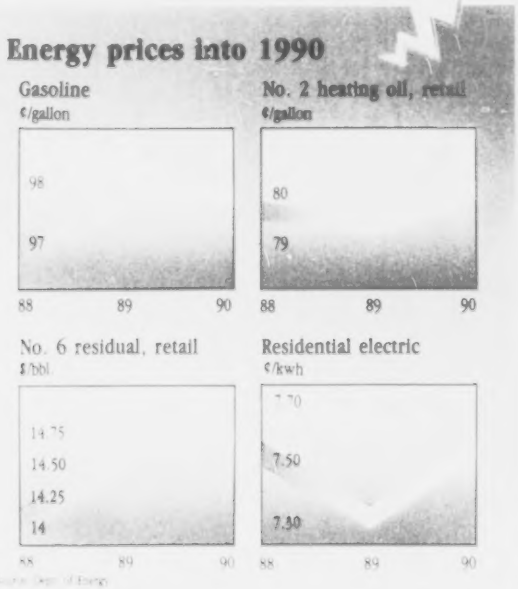
Energy tags still look pretty much under control—despite recent OPEC efforts to curtail surplus output.

At least that's how Department of Energy analysts see things. They project only a slight price rise over the next few quarters. And in 1990, they're betting on a $15/barrel quote.

And what happens to crude will not only impact on refined petroleum products but also on coal, natural gas and even electricity. As suggested in the charts below, price increases will be quite modest—with individual trends shaping up something along these lines:

- **Gasoline:** An adequate inventory situation and restrained crude oil boosts should keep pump prices from edging much above $1/gallon this summer—with a similar pattern anticipated for next year.
- **Heating oil:** Prices should average out near 79¢/gallon (at retail), with low 70s possible during the slow-demand summer months. But some increase in averages to near 82¢/gallon is forecast for 1990.
- **Residual fuel oil:** A slow rise is projected—as retail averages move from $14.22/barrel last year to $14.54/barrel this year and $14.70/barrel in 1990.
- **Natural gas:** Strong demand is pushing prices higher. Upshot: Tags (utility basis) should rise—from $2.25/million BTU in 1988 to $2.31/million BTU this year and to $2.40/million BTU in 1990. Residential quotes will move up commensurately.
- **Electricity:** Rates (residential basis) will be down this year relative to 1988. But a fair-sized 4.4% boost is anticipated for 1990 when the average quote will be near 7.64¢/kilowatt hour.

Energy prices into 1990



Source: Dept. of Energy

Paper price progress slows

CURRENT SITUATION: Prices continue to inch ahead. But the hikes are not nearly as robust as they were last year when a combination of strong demand (up 3.3% overall) and close-to-capacity operating rates in most areas pushed price averages up by nearly 7%. And some of the increases over this period were even more impressive. **Newsprint is about the only area of weakness**—as discounts offset a new attempt to bring a boost in official lists.

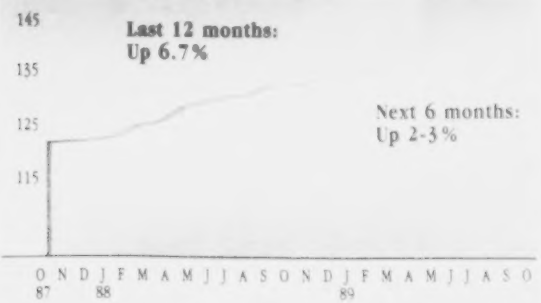
DEMAND: Overall increases will be somewhat smaller than in 1988—reflecting both slower general economic growth and decelerating export gains. **Best bet: About a 3% gain in total paper and paperboard production.** But not all types and grades will fare equally well. Thus linerboard and end-product corrugated boxes will sport about 2.5% advances.

SUPPLY: Fairly snug supplies are expected to persist this year as demand increases detailed above offset an expected 2.8% increase in production potential. So expect these relatively high 1988 average operating rates: Linerboard, 97%; newsprint, 97%; uncoated groundwood, 94%, uncoated free sheet, 96%, and coated papers, 96%. **Things should begin to ease a bit after that if current capacity increase projections of 3.5-3.7% (above expected demand increases) materialize for both 1990 and 1991.**

PRICE OUTLOOK: While the big runups of last year are unlikely to be repeated, the operating rates envisioned for the year should permit a continuing rise. *PurchasingWorld* forecasts call for another 2-3% overall boost over the next six months—with 1989 as a whole likely to end up about 5-6% ahead of comparable 1988 levels. But increases will tend to be uneven. Linerboard, now moving up $30/ton (into the $440/ton range), may advance another $10-20/ton before year end.

Paper, products prices

Index: 1982 = 100



...Continued from page 9

1993, 55% said higher, 30% said lower, and 15%, no change. Upward price pressures are likely to be strongest in high-density 2-piece PC board, cylindrical, and coaxial connectors. Areas where prices are expected to be steady or lower include DIN-41612, rectangular and fiber optic types.

Tin

(Dealer $/lb.)

Tin turns up

MArkets have turned a lot more buoyant in recent months. Dealer metal now commands upwards of $4/lb.—*versus* $3.20/lb. as recently as late 1987. In part, this could be due to the exhaustion of ITC creditor stocks. In any event, more boosts could be in the offing—with tags as high as $5/lb. mentioned for late 1989. But there are some brakes to a runaway market, too. For one, Brazil may be ready to unload some of it excess stocks.

Steel

Demand is holding up fairly well—actually a bit better than previously anticipated. As of now, shipments for the year could approach the 80 million ton level, about one million above previous estimates, though still under the 84 million total of 1988. But markets remain quite competitive. Upshot: As operating rates begin to slide (from 86-87% currently to under 80% after midyear), prices will level off—a lot different than last year when averages on a transaction basis advanced by about 8%. Indeed, from here on in (second through fourth quarter), tags are likely to remain relatively unchanged at about $535/ton.

Cans and linerboard up

The picture here is basically mixed. On the upside they're cans. Specifically, a recent boost in aluminum can stock is already translating into increases in aluminum beverage containers—with 12-oz. models scheduled to move up $5.50/thousand. And the new $30 linerboard price increase should mean new attempts to boost corrugated boxes. On the other hand, plastic resin prices have leveled out and in some cases have even begun to drop—suggesting that film quotes may be ready to peak out.

Machinery demand keeps prices up

Figure on 1989 increases running a bit in excess of last year's advances. Reasons: Good demand (reflecting the still strong capital investment market) and

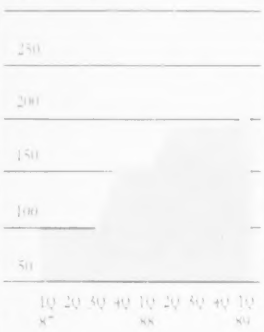
pass throughs of recent raw material and component part hikes. *PW* equations, for example, indicate a 4% increase in metalworking machinery this year (*versus* 3% last year)—with a similar pattern anticipated for material handling equipment. Other anticipated boosts:—with 1988 figures shown in parenthesis: Construction equipment 5% (*versus* 2.5%), general purpose machinery and equipment 4.5% (*versus* 4%), and special industry machinery and equipment 5.5% (*versus* 3.7%).

Electronic components flat for 1989

A rather flat year seems to be shaping up. Updated demand forecasts by Henderson Ventures, for example, see semiconductors rising only 2.2% in dollar terms this year—a far cry from the better-than-30% advance of 1988. Passive components should fare better—with growth rates put in the 7-8% range. Overall electronic component prices, meantime, should rise only slightly—about 3.5%. But some items are actually declining—especially 1Mb DRAMs where the $30-plus tags of late last year have given way to quotes as low as $17.

Small parcels

Competition is heating up a bit, with Federal Express launching its cheaper overnight delivery service for documents. Specifically, for those dropping off the package at a Fed Ex office, the price for next-afternoon delivery will be only $8.25—significantly under the previously existing $11 tariff that guaranteed delivery the next morning. Aim is to blunt the impact of United Parcel and the Postal Service—both of whom offer under $9 service for delivery sometime the next day.



Chloralkali prices firm

Caustic soda continues to firm—as a new $25/ton increase brings off-list averages (Gulf Coast) above the $220/ton range. And the market here should remain firm through spring. But this bullishness in caustic is being offset by sliding prices of chlorine (a caustic co-product). Spot chlorine tags, for example, have reportedly dipped as low as $20/ton (*versus* $120/ton a year ago). And even the more stable contract market is off substantially—from $100-135/ton last year to only $85-105/ton currently.

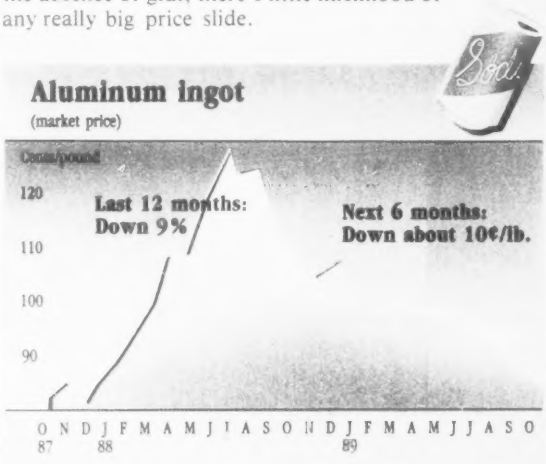
Aluminum edges downward

CURRENT SITUATION: The light metal has edged down from its $1.50/lb. peak of last year—with ingot currently hovering around the $1/lb. mark. Even so, that's considerably above the 80-85¢/lb. level prevailing as recently as late 1987. Fabricated products, which generally tend to lag ingot, continue to advance—as new (early 1989) hikes hit flat-rolled products including hotly competitive can stock.

DEMAND: Industry shipments, despite some flattening, should have enough momentum to reach about 17.6 billion pounds this year—up some 2.8% from 1988's total. One factor in the continuing advance: Sharply increasing exports which could top the two billion pound mark over the current 12-month period. Also expected to be up this year are the packaging and container, transportation equipment, and electrical product markets—with the only significant decline expected in building and construction. **For the longer pull, look for about 1% annual increases as packaging levels off.**

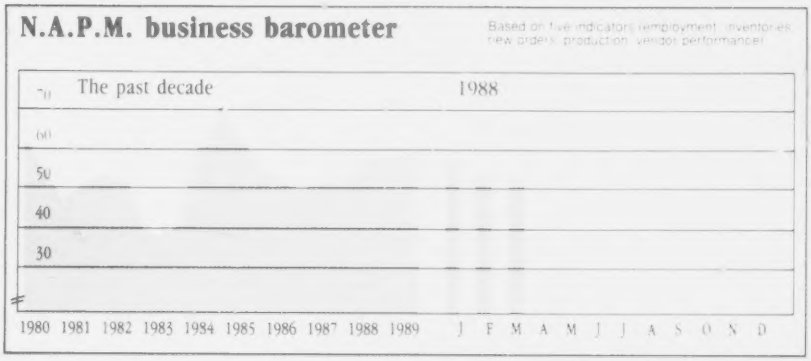
SUPPLY: While operating rates remain high, the worst of the pinch seems over. One indication: A fractional rise in global stocks after a long, steep decline. Best bet for the current year: Global balance, with Free World output of 14.5 million metric tons only slightly above consumption which is expected to hit 14.4 million tons. **Longer run, there are plans for new capacity (as much as 50% in Canada).**

PRICE OUTLOOK: Improving market balance means last year's peak levels are not sustainable. Indeed, ingot prices should continue to edge lower—falling into the 85-95¢/lb. range by fall. For the year as a whole, count on about a 90¢/lb. transaction quote—well under 1988's $1.12/lb. average. **As for fabricated items—they're about as high as they're going to go, with some erosion possible by as early as fall or winter.** Longer term, given the absence of glut, there's little likelihood of any really big price slide.



N.A.P.M. business barometer

Based on five indicators (employment, inventories, new orders, production, vendor performance)

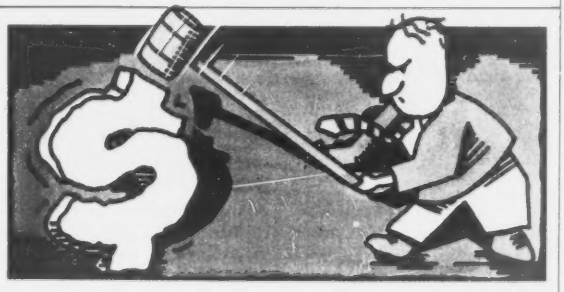


KEY ECONOMIC TRENDS

NAPM index falling

Gains should be a bit harder to come by over the spring and summer months.

Certainly, the NAPM Business Barometer (chart above) would seem to indicate as much. Readings here have been around the 53 mark for two months running. While still positive (50 is regarded as neutral), that's the lowest level in more than two years.



Based on this and other evidence, *PW's* near-term forecasts have been toned down a bit—with second half real GNP gains (at annual rate) put only in the 2-2.5% range. Similar increases are also seen for factory production. If confirmed, the latter would be well under the 5%-plus rate of advance noted during the last six months of 1988.

The prestigious National Association of Business Economists is also calling for restrained growth. Their latest projection for 1989 as a whole: A 2.7% increase in real GNP—well under last year's robust 3.9% advance.

Some of the individual business indicators also point to a somewhat slower rate of advance. Durable goods orders received by the nations' factories, for example, were off 3% in early 1989. True, this was due to a drop-off in defense business. But it's still something that can't be ignored.

And what's true of all incoming durable bookings is equally applicable to one of its widely monitored components—machine tools. Latest reading here shows some modest order slippage from recent peaks (top chart, right). But it should be emphasized that part of this is seasonal. Moreover, machine tool builders are still optimistic—talking in terms of even a slight gain over a boom 1988 when orders approached $3.6 billion.

On the other hand, this industry does acknowledge that rising interest rates could lower their expectations. There's always a chance, they say, that buyers might pull back—as higher money costs affect not only their own financing but also downstream demand for products.

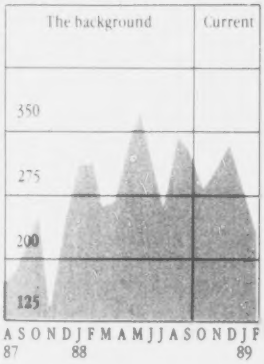
The latter is already apparent in the auto sector where sales during the first two months of 1989 ran 9% under comparable year-earlier levels. But with more generous buyer incentives now being offered, some pickup in this sector seems likely.

Thus for the year as a whole, the auto industry should sell about 10.2 million units. While hardly earthshaking, it is above re-

Leading indicators

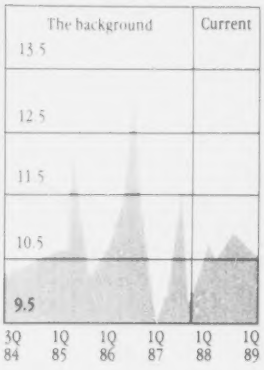
Machine tool orders

Millions of dollars



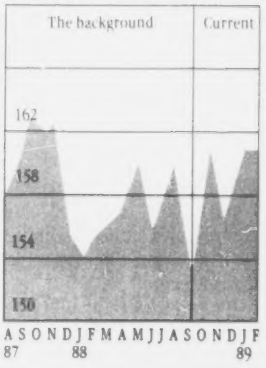
Auto sales

Millions, Seas. adj. annual rate



Help wanted

Index: 1967 = 100



cent rates and not that much under the 10.5 million units that cleared the market last year.

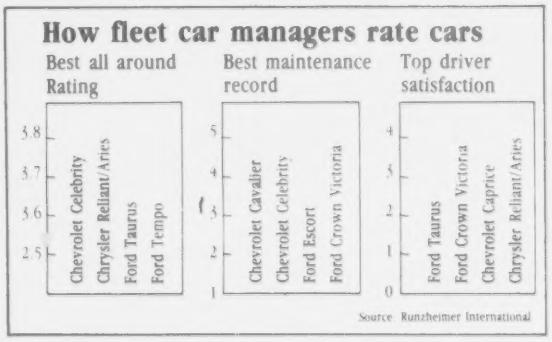
The interest rate impact alluded to above could also be felt in the construction sector. Long-term fixed rate instruments could rise to near 11.5% this spring. This, in turn, could bring housing starts down to the 1.40-1.44 million range at annual rate by summer or fall—significantly under the near 1.5 million figure of last year.

The housing problem is also confirmed by the National Association of Realtors' affordability index. Citing higher prices as well as mortgage rates, the group says this yardstick has taken its largest monthly drop in a year.

Help wanted figures also leave something to be desired—with this index bouncing around with no discernable trend (see chart). It suggests that managers are becoming somewhat cautious when it comes to taking on new personnel.

All the above is in no way meant to imply that everything is leveling off. For one, exports (running better than 20% ahead of a year ago) remain quite buoyant. Then there's today's trim inventory situation—something quite amazing given the maturity of the current upturn.

These latter factors can't be underestimated. Other things being equal, they should be strong enough to keep the economy in the plus column for at least another few quarters—and maybe even longer than that.



Fleet managers pick best cars

Fleet managers, like everyone else, have their favorite vehicles. Their choice of "best" when it comes to 1988 models: the Chevrolet Celebrity, followed by Chrysler K-cars (Reliant/Aries), Ford Taurus and Ford Tempo.

The ratings, compiled by Runzheimer International, are based solely on fleet car experiences with these and other popular models over the past few years. A rating of 10 is tops—but only theoretically so, since all respondents would have to dub a car as "best" to reach this high. In any case, the actual ratings for the models noted are 3.8, 3.7, 3.6, and 2.5, respectively.

In terms of driver satisfaction, however, the Taurus moves to the top with a 3.8 reading. And not surprisingly according to Runzheimer who dubs this car a morale booster for drivers—one that they can take to the country club without any qualms.

The new study also examines two other attributes of fleet cars—maintenance and best built. As for the former, the Chevrolet Cavalier comes in first (4.8) with the second and third choices (far behind) being the Chevrolet Celebrity and the Ford Escort (both at 3.0).

When it comes to construction, the Ford Crown Victoria takes the prize (3.8)—followed by the Taurus (2.8). Surprisingly, the Chevrolet Celebrity is quite a distance behind in this category—racking up a relatively low 2.5 reading.

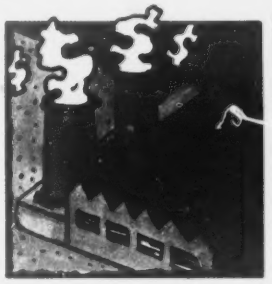
CURRENT PRICES

Producer prices still a problem

Industrial producer prices remained a problem last month—advancing about .5% (some 6% at annual rate).

On the brighter side was the fact that the increase was only half of that noted the previous month. Also encouraging were the declines in such key areas as metals after the long, virtually uninterrupted increases of 1988.

Thus copper fell sharply—with mill shapes, and non-ferrous wire and cable following suit. Also down were aluminum and aluminum scrap. Ditto lead and lead scrap. But some offsetting advances were noted



for zinc, and steel mill products.

Industrial chemicals meantime, continued to advance—with both organics and inorganics sharing in the boost. Plastic resins also headed higher. But his may only reflect the fact that Uncle Sam's price index is list oriented and therefore may not have been able to pick up all the price shading that now seems to be developing in this area.

Other key sectors sporting price increases last month included paper, paperboard, bearings, and building materials. But the latter (which includes boosts for plywood, softwood lumber, paint, and fabricated structural metal products) may be unsustainable in light of the developing downturn in construction activity.

Energy too should bear close watching. As rising crude oil tags push up such other products as gasoline, diesel fuel, residual fuel, liquid petroleum, and natural gas. Coal however remains on the shaky side.

The slow steady rise in capital equipment tags (up about 0.4% over the past month or just under 5% at annual rate) is also continuing. Product lines socked with higher tags last month included heavy motor trucks, material handling equipment, railroad equip-

ment, farm machinery and transformers. On a rosier note, communications equipment, and integrating and measuring instruments edged lower.

Government price analysts, commenting on the overall trend, were hopeful that last month's deceleration might spill over into early spring. But they hasten to add that increases in more highly fabricated lines could be a lingering problem as cost passthroughs from last year's raw material runup continue.

PROCUREMENT STATUS REPORT

Procurement climate to improve

Delivery is still a headache for a substantial number of industrial purchasing managers. But there could be light at the end of the tunnel—the deterioration of recent months finally seems to be slowing down.

PurchasingWorld's exclusive leadtime index is currently being clocked in at only 51—just one point above the neutral 50 level when extensions and contractions balance each other. In any case, things are a lot better than a year ago when mid-50 readings were not all that uncommon.

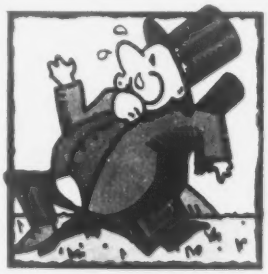
Also indicative of less deterioration is the NAPM report on vendor performance. True, there are still more buyers experiencing slower rather than faster deliveries. But the gap is beginning to close.

The latest index on slowdowns, for example, shows a reading of around 53 (again, 50 is the neutral point). That's far under the mid-60 readings of last summer.

Inventory paring is yet another sign that has to be viewed positively. PMs would hardly be cutting back (the NAPM accumulation index continues under the neutral 50 mark for the second straight month) if availability were an overriding problem.

All the above, however, is in no way meant to imply that there aren't some serious problems. Clearly, many products are still hard to find. Shortages effect not only steel (see the accompanying Steel Scene) but some component parts such as bearings.

On the other hand, this list could narrow—for there are some signs that overall demand may be easing off somewhat. For one, the new order pace has leveled. And a new Federal Reserve study finds a less-robust pace in some areas.



Combine all the above with still-increasing capacity (expect it to rise another 3% or so this year)–and the procurement climate should slowly begin to improve—if not over the next few months than certainly after midyear.

Import share of fasteners growing

Imports could be a major factor in industrial fastener procurement well into the 1990s. Indeed, the overseas share of market is likely to grow—from 16.5% last year to 21.2% in 1993.

This is just one facet of the industry analyzed in a new Freedonia Group report on this close-to-$6 billion industry. Other key findings:

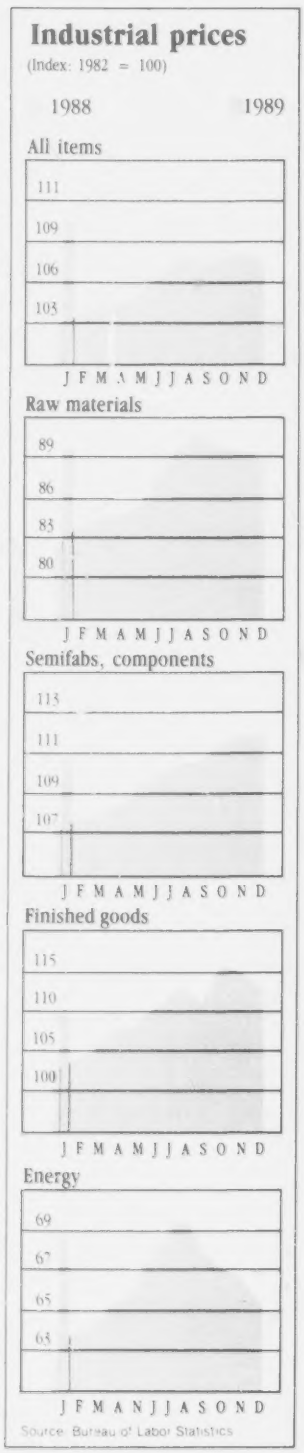
- **Dollar shipment growth:** The 5.1% annual increase of the past 13 years in domestic sales is projected to slow down to a near 4% rate over the next five years.
- **Price:** Inflation will slow down—from 2.9% annually over the 1975-88 period to 1.5% over the next five years.
- **Real shipment growth:** Factor out price change, and real advances in domestic sales will actually accelerate—from 2.2% previously to 2.5% over the 1988-93 period.

On the other hand, the industry will be held down to some extent by slower demand from maturing industries and by competition from other products (improved adhesives, pressure sensitive tapes, and other fastening systems such as Velcro).

The new study also sees differences in rate of growth by type of industrial fastener. Specifically, internally threaded and non-threaded types (as well as formed fasteners) will exhibit the most rapid growth. And while the more standard externally threaded fasteners will also grow, advances will be at a somewhat slower rate.

Industrial prices

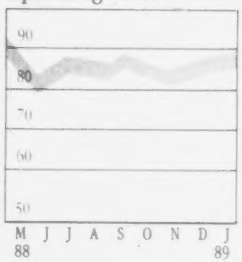
(Index: 1982 = 100)



Source: Bureau of Labor Statistics

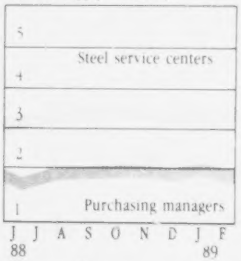
Steel

Operating rates



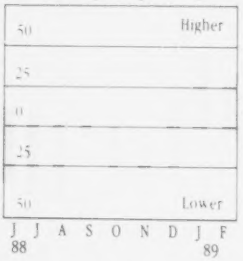
Inventories

(Months supply on hand)

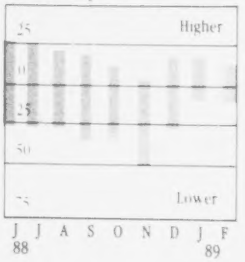


Demand

(Percent of buyer respondents)



Steel buyers



Source: Steel Service Center Institute
NAPM Steel Buyers Committee

Other opportunity areas include special-purpose fasteners (stamped spring-steel, formed metal, plastic, quick-opening, self-sealing etc.). Aircraft/aerospace fastener use will soften as many large defense-related programs reach completion.

Coming back to price—cost competition will continue as imports remain a major factor. Several alternatives for domestic suppliers are available—namely 1) product differentiation along design/technology lines, 2) focus along end-user lines and 3) product differentiation along the lines of quality, dependability and technical servicing.

STEEL SCENE

Steel starts strong

All signs point to a fast 1989 start for steel.

True, buyers (responding to the latest NAPM steel survey) and distributors (responding to the latest Steel Service Center Institute query) have some reservations about second half demand. But zeroing in on the near-term, they say current activity is exceeding their earlier expectations.

For two months running now, more buyers say they will be adding to than subtracting from their overall steel orders over the next three months. True, the gap between those planning increases and those planning decreases is small. But it follows 10 consecutive months of planned retrenchment.

And the same trend is noted by distributors. Here, the net difference between gains and losses is larger. Moreover, this is a pattern that's been evident for three straight months.

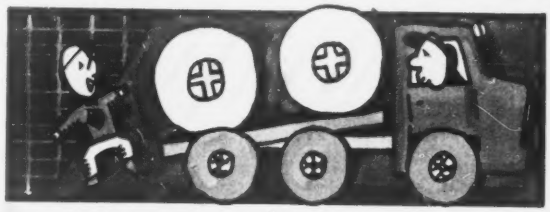
Commenting on the current picture, SSCI President Andrew G. Sharkey observes that all customer groups—including machinery, capital goods, consumer products and construction—have been strong. He adds "The inventory-to-shipments ratio for flat-rolled and stainless products is as low as it's been in more than 12 months—supporting member reports that the market is tightening again for cold-rolled, galvanized, and stainless items."

Sharkey's appraisal, incidentally, is confirmed by buyers who remain concerned about the availability of several key products—most notably coated and cold-rolled sheet. The fact that only about one-third of those queried say they are worry-free also has to be considered significant.

Coming back to demand—very little of the bullishness now being reported can be attributed to hedge buying against a possible steel strike this summer. Talks with PMs indicate such protection purchases are minimal—primarily because most believe that if a work stoppage does occur it will be against a single company rather than the entire industry.

One thing for sure, there's little indication that inventories are rising now. Service centers put latest holdings at only a 3.5 month supply—not all that much different than the levels prevailing over the past few quarters.

And the same holds for buyers. Supply on hand here is put at 1.9 months—actually down fractionally from the levels of January and February. As one buyer puts it, 'There should be enough to go around—especially if demand falls off, as we expect it will, after midyear."



If there's still any doubt about the reluctance to build up inventories it should be dispelled by what both buyers and service centers are telling survey takers. On the buyer front, for example, the 35% aiming at a decrease in holdings far outweighs the 9% who want to add. And the figures haven't changed much over the past few months.

A similar approach is

Import prices

(compared to domestic)

Steel buyers

ABOVE 53%
SAME 25%
SLIGHTLY BELOW 22%
SUBSTANTIALLY BELOW 0%

Service centers (carbon)

ABOVE 2%
SAME 83%
5-10% BELOW 15%
10-20% BELOW 0%
OVER 20% BELOW 0%

voiced by distributors. Specifically, the 52% who see stocks as high relative to shipments far outweighs the minuscule 3% who feel they're too low.

The somewhat improved demand outlook, meantime, may be delaying any weakening in overall price levels. One hint of this comes from service center expectations on what they think they'll be paying for replacement metal some six months from now. An impressive 38% feel they'll be paying more—up from the 24% and 30% readings of January and February.

Conversely only 5% expect declines in prices by fall. That's down sharply from the 10% and higher figures of the previous five months.

On a more rosy note, only 7% of the distributors who look for price increases expect them to be in excess of 5%. In short, few anticipate a repeat of last year when the average transaction price shot up.

This month's breakdown

Index: 1982 = 100

	Latest level (Feb)	% change from: Month ago	Year ago
Bearings	122.5	1.2	10.7
Bolts, nuts, etc.	109.5	−0.2	4.4
Chemicals, inorganic	106.7	0.6	9.0
Chemicals, organic	120.9	0.8	2.04
Concrete products	110.6	0.2	0.7
Corrugated cartons	112.1	0.2	6.0
Cutting tools, small	108.9	0.1	2.0
Electric lamps (bulbs)	123.7	0.2	1.3
Electronic components	119.2	−0.3	2.2
Fans and blowers	116.5	0.2	3.6
Foundry and forge products	113.2	0.8	5.0
Fuel oil (residual)	43.7	4.3	0.5
Furniture, commercial	126.9	0.1	4.5
Gasoline	56.9	2.7	5.6
Glass, flat	110.4	−0.2	1.8
Glass containers	112.5	0.2	0.3
Gypsum products	110.9	−0.2	−5.0
Hand tools	125.7	1.2	5.9
Hand tools, power driven	115.6	0.3	4.4
Industrial furnaces	122.6	0.4	4.0
Integrating and measuring instruments	117.1	−0.5	1.6
Internal combustion engines	112.7	−0.1	1.9
Lubricating oil	106.6	−0.6	3.2
Lumber millwork	124.9	1.1	3.8
Material handling equipment	110.0	0.3	3.7
Metal containers	109.6	0.0	0.6
Metal mill shapes (nonferrous)	139.3	−0.7	14.7
Metal tanks	108.4	0.5	6.7
Motors and generators	127.5	1.1	7.1
Motor trucks	131.1	0.1	5.9
Office and store equipment	108.5	0.1	2.4
Paperboard	138.7	0.7	9.1
Paper boxes and shipping containers	128.4	1.0	7.3
Paper office supplies	120.7	0.8	8.3
Paint	117.2	1.0	6.8
Plastic resins	141.3	0.4	1.44
Precision measuring tools	123.0	1.0	3.9
Pumps and compressors	113.2	0.4	6.0
Refractories	119.2	2.4	5.9
Rubber belts and belting	108.5	0.0	3.8
Scales and balances	106.0	0.0	1.1
Steel products	114.3	0.6	6.0
Switchgear	118.0	1.0	5.8
Textiles, synthetic fibers	100.7	0.5	6.3
Textiles, gray fabrics	114.6	−0.6	1.6
Tires and tubes	96.8	0.9	4.2
Transformers and power regulators	114.5	1.6	5.9
Welding equipment	121.2	0.6	5.8
Wire and cable	146.0	−0.9	15.1

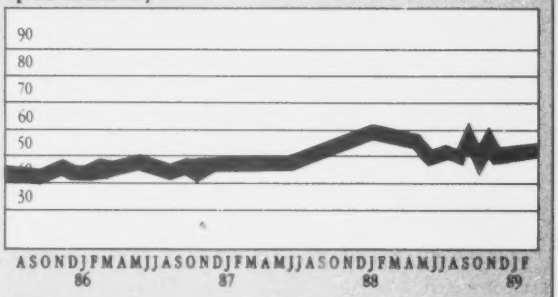
NAPM procurement trends

(seasonally adjusted diffusion indexes)

An index where 50 is defined as the neutral level, to the extent a reading is above 50, it represents an expansionary tendency. More particularly, rising inventory prices, and new orders are seen as positive signs of economic growth. A trend toward slower deliveries is similarly interpreted.

Inventories

Speed of delivery



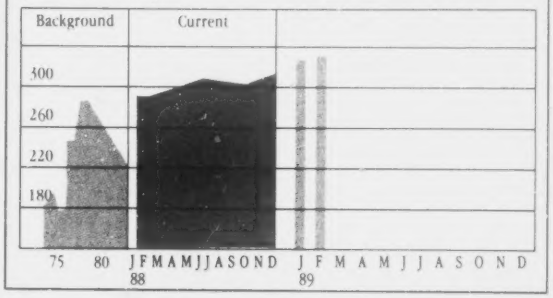
Prices

New orders

Raw material price barometer

(Index 1967 = 100)

Last month 329.3
Month before 324.7
Year ago 288.9



Latest spot market prices

	Latest price	Previous month	Year ago
FERROUS METALS			
Pig iron, basic, valley, gross ton	213.00	213.00	213.00
Pig iron, Bessemer, Pitts., gross ton	213.00	213.00	213.00
Steel, billets, Pitts., net ton	367.00	367.00	367.00
Steel, structural shapes, Pitts., cwt	23.90	23.90	23.90
Steel, structural shapes, Chi., cwt	23.90	23.90	23.90
Steel, structural shapes, Los Angeles, cwt	23.90	23.90	23.90
Steel, bars, dlvd. Phila., cwt., merchant quality	18.70	16.50	16.50
Steel, bars, Pitts., cwt.	18.70	16.50	16.50
Steel, bars, C.R., Pitts., cwt.	25.20	19.45	19.45
Steel, plates, Pitts., cwt.	23.25	23.25	19.75
Steel, plates, H.R., Pitts., cwt.	23.25	23.25	19.75
Steel, sheets, C.R., Detroit, cwt.	29.65	29.65	28.15
Steel, strip, C.R., Chi., cwt.	36.18	36.18	36.18
Steel, basic wire, Pitts., cwt.	23.65	23.65	23.65
NONFERROUS METALS			
Aluminum, ingot, lb. (market place)	1.030	1.050	1.025
Antimony, N.Y., dealer, lb.	1.00	1.00	1.09
Beryllium-copper, cost ingot, lb.	5.90	5.90	5.90
Brass, red, 85%, [sheet], lb.	2.17	2.13	1.66
Brass, yellow, [sheet], lb.	2.13	2.09	1.61
Cadmium, N.Y., dealer, lb.	7.90	8.35	7.00
Copper, electrolytic, wire bars, refd., lb.	1.54	1.50	1.02
Copper sheet, over 24 in., lb.	2.26	2.22	1.74
Lead, common, N.Y., lb.	.35	.37	.34
Magnesium, pig ingot, [99.8%], lb.	1.63	1.63	1.53
Mercury, 20 fl. lots, N.Y., fl.	320.00	310.00	350.00
Molybdenum, oxide, dealer, lb.	3.78	3.48	3.30
Nickel, cathode, dealer, lb.	8.20	8.30	4.65
Platinum, dealer, oz.	540.00	530.00	480.00
Silver, N.Y., oz.	5.90	5.94	6.29
Tin, N.Y., dealer, lb.	4.02	3.50	3.18
Zinc, Prime West, East St. Louis, lb.	.95	.87	.47
Zinc, die casting alloy, No. 3, lb.	1.030	.900	.525
PAPER			
Uncoated book #3 offset, ton	1020.00	965.00	890.00
Watermarked bond, ton	1095.00	1080.00	985.00
Gummed sealing tape, carton	18.84	18.58	17.20
Grocery sacks, ton	460.00	460.00	435.00
Solid bleached paperboard, ton	730.00	730.00	650.00
Kraft linerboard, 42 lb., unbleached, ton	440.00	440.00	410.00
TEXTILES			
Burlap, 10 oz., 40", N.Y., yd.	.283	.283	.278
Cotton drill, 1.85, 59", 68x49, N.Y., yd.	1.18	1.18	1.22
Cotton middling, 1", N.Y., lb.	.555	.529	.586
Printcloth, 48", 80x80, N.Y., spot, yd.	.500	.500	.550
Army duck, 37", 13 oz., yd.	1.50	1.50	1.51
Blended printcloth, 64", 78x54, yd.	.74	.70	.67
20s combed yarns	1.80	1.80	2.04
Wool 64s, Staple, lb.	4.18	4.50	4.25
CHEMICALS			
Acrylonitrile, tanks, lb.	.400	.360	.395
Ammonia, anhydrous, tankcars, Gulf Coast, ton	125.00	125.00	100.00
Benzene, petroleum, tanks, Houston, gal	1.55	1.87	1.10
Caustic soda, 76% solid, drums, carlots, cwt.	28.00	28.00	26.00
Cresylic acid [over 25%], tanks, lb.	.55	.55	.58
Formaldehyde, USP, 37%, [12% to 15% meth.], tanks, lb.	.106	.106	.106
Glycerine, synthetic, tanks, lb.	.785	.760	.685
Methanol, syn., tanks, 4,000 gals., f.o.b. Gulf Coast plants	.52	.60	.53
Naphthalene, crude, tanks, lb.	.16	.16	.22
Phthalic anhydride, tanks, lb.	.41	.41	.32
Polyethylene resin, low density liner film grade (market place), lb.	.500	.515	.425
Polypropylene, homopolymer grade (market price), lb.	.460	.475	.495
Polystyrene, general purpose grade (market price), lb.	.585	.590	.565
Polyvinyl chloride, pipe grade (market price), lb.	.44	.44	.40
Soda ash, 58%, light carlots, cwt.	6.15	6.15	6.15
Styrene monomer, 99.6%, tanks, lb.	.50	.50	.46
Sulfur, crude, ex-terminal, Tampa, Fla., lt.	142.00	142.00	127.50
Sulfuric acid, 66%, commercial, tanks, ton	66.86	66.86	66.86
Titanium dioxide, anatase, reg., carlots lb.	.95	.95	.80
Xylene tanks, gal.	1.500	1.400	.760
BUILDING MATERIALS			
Lumber, 2x4 fir, mbf, cl.	327.44	326.33	323.80
Lumber 2x2 pine, mbf, cl.	313.06	311.06	326.00
Plywood, plyform, ¾", msf, cl.	550.11	547.39	568.05
Plywood, ⅜", msf, cl.	368.33	368.28	400.25
Cement, bulk, ton, tl.	63.53	63.48	64.07
Sand, ton, cl.	7.18	7.23	7.32
Ready-mix concrete, 3,000 psi/cu. yd., 15 cu. yd.	48.69	48.55	48.94
Crushed stone, 1½", ton, cl.	6.60	6.71	N.A.
Concrete blocks, sand/gravel, 8"x8"x16", per hundred	86.72	86.72	N.A.
Reinforcing bars, whse base, per cwt.	20.85	20.85	20.14
Asphalt paving AC-20	107.51	106.26	137.93
Vitr. Clay Sewer Pipe, Prem Joint, 12", per ft, cl.	7.43	7.39	7.09
Concrete sewer pipe, 24", prem. joint, per foot, cl.	17.96	17.92	N.A.
FUELS			
Crude oil (W. Tex Int Cush), bbl.	19.30	17.40	15.70
Diesel (reseller rack, Chi), gal.	.511	.478	4.48
Fuel oil No. 2 (N.Y.), gal.	.5775	.5060	.4560
Fuel oil No. 2 (Gulf spot), gal.	.475	.467	.423
Fuel oil No. 6 (N.Y.) contract cargo, bbl.	18.75	18.50	16.75
Gasoline (reg lded NY), gal.	.5435	.4910	.4490
Gasoline (reg unlded NY), gal.	.5285	.4785	.4315
Kerosene (reseller rack, Chi), gal.	.596	.558	.493
Propane (Mt. Belvieu, Tex), gal.	.2063	.1925	.2413
SCRAP MATERIALS			
Steel, No. 1, hvy., dlvd., Pitts., ton	116.00	122.00	121.00
Steel, No. 1 hvy., dlvd., Chi., ton	113.00	119.00	117.00
Copper, No. 1, East, wholesale buy, dlvd., lb.	1.16	1.12	0.92
Copper, No. 2, East, wholesale buy, dlvd., lb.	1.105	.995	.810
Brass, red, East, wholesale buy, dlvd., lb.	1.120	1.080	0.880
Brass, yellow, East, wholesale buy, dlvd., lb.	.610	.540	.415
Alum., old sheet/cast, E., wholesale buy, dlvd., lb.	.675	.670	.625
Alum., mixed clip, E., wholesale buy, dlvd., lb.	.760	.760	.710
Zinc, old, East, wholesale buy, dlvd., lb.	.380	.240	.200
Lead, clean solids, East, wholesale buy, dlvd., lb.	.210	.270	.210
Paper, No. 1 mixed, dlr., N.Y., ton	Nom.	Nom.	Nom.
Paper, old corrug. box, dlr., Chi., ton	Nom	10.00	25.00
Paper, old corrug. box, dlr., N.Y., ton	Nom.	Nom.	10.00
Old newspapers, Chi., ton	Nom.	Nom.	N.A.
Old white ledger, Chi., ton	75.00	75.00	N.A.

[Sources: Metals Week, American Metal Market, Engineering News-Record (20-city averages), The Wall Street Journal, Journal of Commerce, Chemical Marketing Reporter.]

Office buying plans and efficiency increase

There should be no letup in office equipment buying this year. No problems with prices, either, as competition and technological advances combine to put a lid on price hikes.

So say the majority of purchasing executives responding to a new nationwide *PurchasingWorld* magazine survey. On the demand front, they attribute projected gains to both the increasing availability of new and improved products, plus still-growing office equipment and supply spending budgets.

The overall findings are summarized in the accompanying chart, suggesting that the average volume will be up moderately—pretty much a carbon of responses six months ago when a similar survey was taken.

Another recent study by *Today's Office* tells much the same story. An impressive 82% of these latter respondents project a buying increase this year. But again the emphasis is on the word *moderate*—as nearly half put boosts in the 1-10% range.

The *PurchasingWorld* survey also suggests little danger of any big price spurt. Thus nearly half the respondents here project advances in the 0-5% range this year—hardly earthshaking and a figure that is partially offset by expectations of possible price declines by other respondents.

Moreover, the increases are probably exaggerated. Reason: Buyers don't always take account of the improved efficiency of some of the newer products.

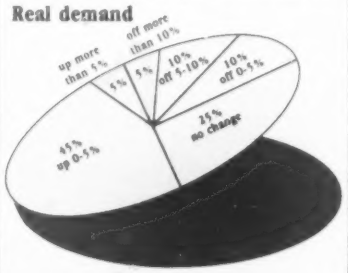
This can probably best be appreciated in the computer sector. A recent study by the Gartner Group finds that the average cost of PC hardware to process one million instructions per second has come down to under $1,000 (*versus* $15,000 in 1981). And all signs point to a further decline by 1993—to only $140.

Such computer price erosion is further confirmed by the First Boston Corporation where analysts figure the price of the average machine fell by more than 20% annually over the past decade. As one of the firm's spokesmen puts it, "Technological progress just overwhelms any inflationary trend."

1989 Office equipment and supplies: a buyer's view

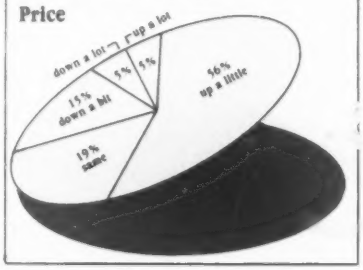
Modest demand gains ahead...

Real demand



but no major price hikes

Price



Fax and copiers also continue to edge lower—with declines in the former just as impressive as in computers. In any event, buyers in both of these sectors are getting a lot more machine for their dollar than as recently as two years ago.

Competition continues to play a major role in all of the above areas. And it's likely to do so into 1990. Example: PCs now seem to be locked in conflict with workstations. More to the point, as PCs become more powerful and workstations less expensive, the two are beginning a fight for the desktops of corporate America.

Buyers responding to the *PW* survey also note a big increase in interest in electronic mail—especially as E-mail begins to hook up networks to make this mode as easy as using a telephone. In any event, the future promises the long-awaited explosion in computer-based messaging—to the point where the market will jump significantly—from some three billion messages last year to near 10 billion by 1991.

The big plus here, aside from convenience, is cost. An overnight letter which can cost as much as $14 can drop to $1 for those using E-mail.

Nor are the improvements limited to computers. There are big advances in printers, including double-sided printing, multiple paper paths and improved graphics. And in the fax area, good basic models can be had for $1,000 or less. And well-endowed mid-range models go for only $3,000—some $2,000 less than they did just two years ago.

Then there's the melding of faxes and computers via fax boards. This can be done from as little as $500. In any case, costs here are well under comparable standalone machines.

That's not to say that everything is coming down in price. Office supplies have been rising. One recent study puts the first half 1989 increase near 3%. And if you zero in on white papers, the increases have been a lot more than that (see *PW Predicts*, this issue.

Increases in the price of supplies are also confirmed by buyers. More than three out of every four surveyed by *PW* see increases in common office supplies this year—in marked contrast to computers and fax machines.

Meantime, as in past surveys, PMs report a number of headaches when it comes to office procurement. Heading the list again are servicing, compatibility and obsolescence.

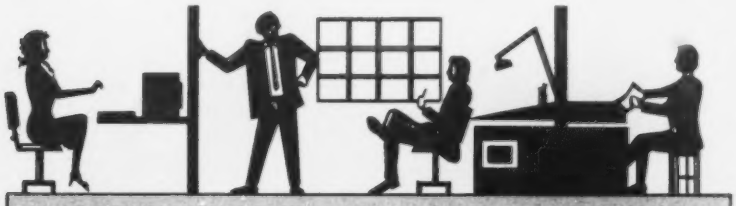
These problems, in turn, are putting a premium on coordination and would seem to call for a greater purchasing role in the overall decision-making process. Not surprisingly, the majority of pw respondents now say they're part of a small team overseeing the entire process. And an impressive 15% say they are now the primary decisionmaker. ***PW***

Office buyers and vendors see banner year

It's pretty much unanimous—as office equipment manufacturers join the nation's purchasing executives in projecting another banner year in most sectors of this bellwether industry.

New figures just released by the Computer & Business Equipment Manufacturers Association (CBEMA) tell the story. Not only will prices continue to edge lower but these declines will be coming at a time of booming demand.

In any case, some seven of the nine key areas monitored in the chart on page xx show continuing drops in unit tags both this year and in 1990 (with the remaining two targeted for only fractional advances). And even these figures may be exaggerating the real cost—for machines are constantly being upgraded so that a unit purchased this year is generally a lot more productive than one bought, say, in 1987 or 1988.



As for demand, CBEMA analysts attribute the big gains to several factors—including 1) impressive technological advances, 2) a need for more office productivity, and 3) a shortage in entry level office workers and data processing personnel that will favor increased automation in both factories and offices.

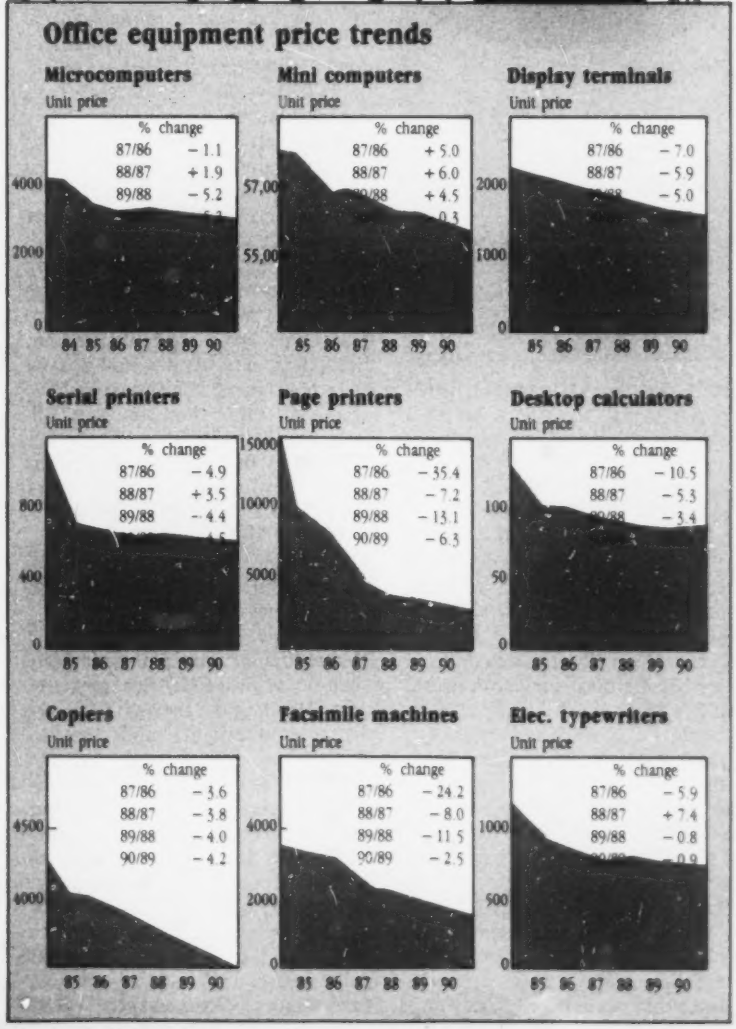
Generally speaking, the bigger increases (in terms of unit volume) are likely to be in facsimile machines (48% this year on top of the near doubling noted in 1988). Then, too, the 15% or so advance in microcomputer purchases can hardly be called puny. Almost as impressive: The near-11% current dollar advance seen for computer software and services. Even such relatively mature areas as manifold business forms are scheduled for impressive 5%-plus advances over the next two years.

Nor is there any indication of any significant long-term deceleration. Sure, facsimile machines will show somewhat smaller advances during the 1990s. But, by and large, the overall prognosis for the decade ending in 1998 is impressive. In current dollar terms, for example, average annual gains are put at 8.5% for computers, 7.7% for other business equipment, 10.8% for computer software and services, and 5.8% for manifold business forms.

And the rosy long-term outlook is equally applicable to prices. Again looking at unit tags, every one of the nine product lines shown in the price chart will show average annual declines over the 1988-89 period.

Here's a more detailed rundown on the market outlook for these and other product areas—both over the

Office equipment price trends



next year or two and for the longer pull:

● **Microcomputers:** Close to 5.4 million units are expected to clear the market this year—up 15% from 1988, with another 13% advance forecast for 1990. Average prices, meantime, will fall—5% this year (to $3,546) and a similar percentage in 1990 (to $3,360). Long-term (1988-1998) prices should fall about 6% a year while comparable average unit demand gains are put in excess of 14% a year.

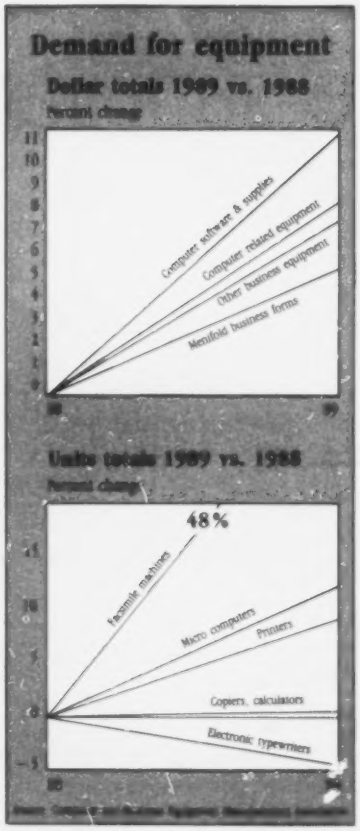
● **Minicomputers:** Average prices will increase about 4.5% this year and flatten out in 1990. And for the 10-year period ending in 1998, unit tags for these minis should fall about 0.5% a year. Unit sales, meantime, are expected to advance about 7% in both 1989 and 1990—with long-term growth put at a slightly higher 8% rate.

● **Mainframe computers:** Prices will remain relatively stable through the next decade—little changed from the current $1.13 million/unit figure. Demand gains will be quite modest, too—with unit sales rising at only a 2.5% rate through the 1990s.

● **Computer software and services:** A 10.8% annual growth rate (in current dollars) is projected through 1998—large but somewhat under the 16%-plus pace of the 1980s. Biggest advances will be in software (13.2% annually)—followed by professional services (9.8%) and processing services (9.1%).

● **General purpose display terminals:** Demand, up 8.5% last year and probably only 4% in 1989 will continue to taper off—as the average gain for the next 10 years slows to only 0.6% a year. Reason: These units are facing increased competition from low-end personal computers. Prices, meantime, should continue to decline about 5% a year—with the current $1,769 quote dropping down to $1,060 by 1998.

● **Page printers:** Unit demand growth (24% a year through 1998) will be at the expense of line printers which are expected to be off 19% annually over the same period. Sharp price reductions here (made possible by technological developments) will enable these printers to make significant inroads against serial printers, too. This year, for example, the average tag should be off 13%—with another better-than-6% decline forecast for 1990.



"Not only will prices continue to edge lower but these declines will be coming at a time of booming demand."

● **Serial printers:** This second largest printer category in terms of dollars will show a respectable 9.4% annual growth—though well under that envisioned for page types. Upshot: Serials will have only 21.2% of the market by 1998—*versus* 39.7% last year. But prices here should also continue to soften—falling about 6% a year.

● **Calculators:** Only very modest price erosion is projected for both desk and hand-held types—with overall decline in the former averaging out at less than 1% over the next two years. Unit demand will also be quite restrained—up 1% on average over the 1988-90 period. And a similar slow-growth pattern is seen for the longer pull—with sales of desktop units advancing a just-short-of-4% rate over the next decade.

● **Copiers:** The 4% price decline of last year will pretty much be repeated in both 1989 and 1990—with the 10-year attrition put at only a slightly lower 2.7% rate. Good demand will also continue—as both 1989 and 1990 sales rise in the 5-6% range. All types of plain paper models (low, moderate and high-speed models) will share equally in the gain—though low-speed models (830,000 units this year) will continue to make up about 62% overall.

● **Dictating equipment:** This will continue to be one of the slow growing areas—as average unit growth over the next decade holds at the 1.1% pace of the past 10 years. The best gains (2% a year) seem likely in the dictation systems rather than in desktops (0.8% a year) and portables (1.4% a year). Also—contrary to the general trend in other equipment areas—unit prices should increase rather than fall (by about 2% a year). On the other hand, this is somewhat misleading since all increases will be due to continuing enhancement of product functionality.

● **Facsimile equipment:** Unit growth has doubled annually since 1985 when their machines really began to catch on. At the same time, prices fell about 25% a year (to an average quote of only $2,300 last year). Even the expected slowdown

Continued on page 27...

demise of that traditional dealer with whom most buyers do their office supplies business, consider that while their market share has dropped, their actual dollar volume has increased, reports Bodeewes. What seems to be happening is that buyers are dividing their purchases between several types of sources. One Fortune 500 senior buyer in charge of centralized procurement of office supplies buys paper from one national distributor, small office items from six regional distributors, and equipment (fax, ETs, copiers) and services from local dealers at each of his company's 11 locations. "Those local dealers provide us with all maintenance and repair services and they act as consultants to keep our office technology up-to-date—a service we *want* to pay for."

Beware of single sourcing

"No single source is going to be the answer for any buyer," asserts NOPA's Bodeewes. A combination will work very well, he says, if buyers take time up front to determine where to lump purchases. Writing instruments and desk supplies may be terrific candidates for mail order purchasing while paper, forms, computer accessories and furniture might be acquired more prudently through a vendor who can provide advice and services.

Industry experts also advise buyers to take a hard look at the blanket contract with a single vendor.

If you sign an agreement to buy everything from one dealer for a year at a 30% discount off catalog price, you may not be getting as great a deal as you think. A mail order firm or wholesale club may be able to save you 40-50% off a large number of items you regularly buy, so the fact that you're getting a 30% discount on a few other items may not outweigh the potential savings of other sources.

While reassessing the way your company buys its office supplies may seem like just a lot more work, there is some good news. Bodeewes and NOPA's survey report that manufacturers will be improving the way they package and market their products to make it easier to select the right items for the application. And vendors are aggressively pursuing new and better ways to meet customer requirements. You may also be able to pick up a few helpful hints from your colleagues in the CBEMA report (see accompanying story) on *PurchasingWorld's* latest buyer's survey.

...continued from page 25

(due to a maturing market and competition from the paperless office) will be to very high-growth levels. CBEMA puts the average unit advance through 1998 at near 27% a year—with prices also expected to continue falling at a rather fast 12% a year. Upshot: By 1998, the average fax should cost only $875—down 62% from last year's level.

● **Manifold business forms:** Only dollar consumption estimates are given here. Best bet: A 5.8% annual advance into the 1990s—somewhat lower than the 8.4% annual pace of the past decade, but still quite respectable for a market which is beginning to feel the effects of technological replacement.

● **Standard office electronic typewriters:** Unit sales have peaked—and are forecast to decline to 730,000 units in 1998 *versus* 1,130,000 units last year—as competition from personal computers and text processors intensifies. Unit prices should slip only slightly (1% a year) over this extended period—with a typical full-sized unit that commanded $893 last year falling to $802 by 1998.

"Even such relatively mature areas such as manifold business forms are scheduled for 5%-plus advances."

● **Portable electronic typewriters:** Units resumed their decline last year following a 7.5% advance to 1987. And the slippage is expected to persist—for changing demographics are not conducive to growth, as the number of high school and college-age Americans (key consumers) continues to shrink. Also being felt is competition from inexpensive personal computers. Result: Unit sales will fall at a 4.7% annual rate through the 1990s—even though prices should become increasingly attractive—declining by about 3% a year.

Food cost pressure stays low

Last month PurchasingWorld ran a short feature on the cost of food and its effect on the cost of living. The trouble was it was too short—we left off the table which would give detail to the story.

Overall, our feature pointed out, a 3-5% boost can be expected in food tags, not all that different from 1988's 4%. Fruits, vegetables, cereal and bakery products, and eggs will contribute most to the rise; meat and poultry prices will increase very little. Fish, on the other hand, because of its rising popularity, could increase up to 7%.

Dining out will cost more, too: more than a 4% increase can be expected.

The table presented here provides a more detailed look at 1989 expectations:

1989 food costs—no big problems

	1986	1987	1988	1989
	Percent change from a year earlier			
FOOD AT HOME	2.9	4.3	4.0	3 to 5
Meat, poultry, and fish	4.3	6.4	3.2	0 to 3
Meat	3.2	7.1	2.0	1 to 3
Beef and veal	0.6	7.6	4.9	1 to 3
Pork	8.2	8.2	−2.9	1 to 4
Poultry	7.5	−1.5	6.6	−4 to −7
Fish and seafood	9.2	10.6	6.1	4 to 7
Eggs	6.9	−5.9	5.2	15 to 20
Diary products	0.2	2.5	2.0	2 to 4
Fats and oils	−2.2	1.5	4.1	3 to 6
Fruits and vegetables	0.9	8.8	7.3	3 to 6
Fresh fruits	2.1	11.3	7.8	6 to 9
Fresh vegetables	4.0	12.9	5.8	0 to 3
Processed fruits and vegetables	−1.6	3.5	8.1	4 to 7
Processed fruits	−2.9	4.1	10.6	4 to 7
Processed vegetables	−0.2	2.7	4.7	4 to 7
Sugar and sweets	3.2	1.8	2.7	4 to 7
Cereals and bakery products	2.8	3.5	6.4	4 to 7
Nonalcoholic beverages	5.9	−2.6	0.0	4 to 7
Other prepared foods	2.6	4.2	3.6	3 to 5
FOOD AWAY FROM HOME	3.9	4.0	3.9	4 to 6
ALL FOOD	3.2	4.1	4.0	3 to 5

FREE LITERATURE

Fasteners catalog

This 4-page catalog includes the parts' abbreviations, available materials, thread sizes and a general description of usage. Of special interest is the addition of several new products developed by precision diecasting, including threaded and unthreaded zinc alloy spacers. *Standard Insert Co.* **Circle 90**

Product identification programs

Brochure outlining complete product visual marking programs is introduced with available graphics including decals, labels, nameplates, faceplates, overlays, decorative trim and logos. VMS offers full graphic design services, film engineering and testing, a 100% inspection program and just-in-time delivery and warehousing. *Visual Marking Systems Inc.* **Circle 91**

Business supplies and accessories

The 80-page, full-color, free guide contains more than 3,000 products targeted to meet the needs of business, computer, and telecommunications equipment users. It also contains supplies and accessories for nearly every make and model of computer equipment. Products include ribbons, diskettes and other magnetic media, diskette storage devices, printwheels, cleaning aids, power conditioning, security products, acoustical cabinets, plotter supplies, paper, and software. *Bell Atlantic Business Supplies.* **Circle 67**

Tube and pipe stock list

This 120-page tube and pipe stock list describes more than 10 000 sizes, shapes and grades of tubular products from service center. Included are complete item listings in carbon and alloy steel, stainless steel, and aluminum, a technical section devoted to tolerances, mechanical properties, and chemical compositions, and locations, addresses and telephones of all K-R Service Centers. *Kilsby-Roberts.* **Circle 66**

Plastic tubing and fittings

This 34-page catalog details NewAge tubing product lines such as SILVAC—a silicone suction tubing, COILTEF—ultra flexible, coiled Teflon® tubing; and CLEAR-40—crystal clear rigid schedule 40 PVC pipe. Also included are four different fittings lines and clamps, both plastic and stainless steel. Tubing formulations of PCV, polyurethane, silicone, Teflon®, Viton®, nylon and polyethelene in different construction designs will cover most industrial, chemical, or food applications. *NewAge Industries Inc.* **Circle 53**